

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00

COME-00 DODE-00 DOE-11 H-01 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07 SP-02

SS-15 STR-06 TRSE-00 ACDA-12 /113 W

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 674

C O N F I D E N T I A L CARACAS 0284

E.O. 11652: GDS

TAGS: ENRG, VE

SUBJECT: OIL COMPANY PROBLEMS - VISIT OF MOBIL PRESIDENT

REF: CARACAS 223

1. THE AMBASSADOR MET WITH MOBIL PRESIDENT WILLIAM P. TAVOULAREAS JANUARY 11. MR. TAVOULAREAS WAS ACCOMPANIED BY MR. A.H. MASSAD, EXECUTIVE VICE PRESIDENT AND DIRECTOR OF MOBIL OIL CORPORATION AND MR. KENNETH W. WISEMAN, VICE PRESIDENT OF MOBIL EXPLORATION AND PRODUCING SERVICES AND MR. HARRY AID, MOBIL'S LOCAL REPRESENTATIVE.

2. THE MOBIL OFFICIALS DESCRIBED THE COMPANY'S PRESENT POSITION IN VENEZUELA AS UNTENABLE, EXPRESSING PARTICULAR CONCERN OVER THE MISCELLANEOUS TAX CLAIMS AND THE STATUS OF THEIR TECHNICAL SERVICES CONTRACT. THEY SAID THE COMPANY IS BEING FORCED TO PUT UP ADDITIONAL FUNDS TO PROVIDE THE REQUESTED GUARANTEES ON NEW INCOME TAX CLAIMS. WITHOUT SUCH GUARANTEES, THEY ARE TOLD MOBIL WILL FORFEIT ITS RIGHT TO CHALLENGE THESE CLAIMS IN COURT.

3. WITH RESPECT TO THE TECHNICAL SERVICES CONTRACT, THEY SAID MOBIL IN EFFECT HAS BEEN ASKED TO CONTINUE TO PROVIDE SERVICES THROUGH APRIL 15 AT NO AGREED FEE WHILE A NEW CONTRACT IS BEING
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NEGOTIATED. IF NO AGREEMENT IS REACHED, THE COMPANY WILL BE REIMBURSED ONLY FOR THEIR OVERHEAD EXPENSES DURING THAT PERIOD. MR. MASSAD SAID HE HAD MET WITH PETROLEOS PRESIDENT GENERAL ALFONZO RAVARD IN NEW YORK IN EARLY DECEMBER, AT WHICH TIME HE BELIEVED THEY HAD REACHED GENERAL AGREEMENT ON EXTENSION OF THE CONTRACT. BUT THAT GENERAL ALFONZO'S RECENT COMMENTS APPEAR TO BE CONTRARY TO THIS UNDERSTANDING.

4. THE MOBIL OFFICIALS STRONGLY OPPOSED THE PROPOSAL PUT FORTH BY LLANOVEN, THEIR COUNTERPART VENEZUELAN OPERATING COMPANY, THAT FUTURE SERVICES BE PROVIDED ON A FIXED FEE BASIS RATHER THAN A PER BARREL FEE. THEY ALSO OPPOSED THE DEMAND THAT THE TECHNICAL INFORMATION RESULTING FROM THIS CONTRACT BE MADE AVAILABLE TO OTHER VENEZUELAN COMPANIES, BUT INDICATED THAT SHELL, GULF, AND POSSIBLY SUN HAVE ALREADY AGREED TO THIS. THEY ALSO SAID SUN HAS AGREED TO THE FLAT FEE ARRANGEMENT, COMMENTING THAT OVER TIME THIS COULD BE USED BY THE GOV TO BARGAIN DOWN THE FEES CHARGED BY ALL OF THE FOREIGN COMPANIES SUPPLYING SERVICES AND TECHNOLOGY TO THE VENEZUELAN INDUSTRY. FINALLY, THEY NOTED THAT MOBIL HAS ALREADY DROPPED THE CONTROVERSIAL ARBITRATION CLAUSE FROM ITS SERVICES CONTRACT.

5. THE GROUP HAD ALREADY MET WITH MINISTER OF ENERGY HERNANDEZ, WHO THEY SAID APPEARED TO BE NOT FULLY AWARE OF THE DETAILS OF ALL OF THESE ISSUES, PARTICULARLY THE PROBLEMS RELATING TO THE TECHNICAL SERVICES CONTRACT. DURING THE REMAINDER OF THE DAY, THEY WILL BE MEETING AGAIN WITH MINISTER HERNANDEZ, AS WELL AS WITH PRESIDENT PEREZ, GENERAL ALFONZO RAVARD, AND JUAN CHACIN, PRESIDENT OF LLANOVEN. MR. TAVOULAREAS SAID HE INTENDS TO RAISE ALL OF THE PENDING ISSUES, PARTICULARLY THAT OF THE SERVICES CONTRACT, IN EACH OF THESE MEETINGS AND INDICATED THAT IF AT LEAST THIS LATTER PROBLEM CANNOT BE RESOLVED PROMPTLY, MOBIL WILL NO LONGER BE ABLE TO REMAIN ACTIVE IN VENEZUELA. VAKY
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